

Growth and variation in use of physician services

ISSUE: Are there policy options that could control spending and improve the quality of physician services provided to Medicare beneficiaries?

KEY POINTS: There was a sudden increase in use of physician services in the last 12 to 24 months. In a letter to the Commission, CMS reported an increase of 6 to 8 percent, in 2002, and cited the increase as one reason for an estimated physician update for 2004 of -4.2 percent.

The increase in use of physician services comes at a time when there are renewed questions about whether some use of services by Medicare beneficiaries is unnecessary. The Commission's June 2003 report included an analysis that showed rapid growth in use of some physician services, such as imaging, and wide variation, geographically, in use of the services. The findings on geographic variation are consistent those of John Wennberg and his colleagues who have found similar variation in use of health care but little or no associated gains in quality and access.

Other findings in the research literature show that growth in use of health care can be due to beneficial technological change. For example, research has documented a shift during the past 15 to 20 years toward more intensive services in the treatment of heart attack patients. Improved patient outcomes have accompanied this shift.

This distinction in the research literature—between cross-sectional variation in use of services and changes in technology over time—poses a dilemma for policy: How do we reduce unnecessary use of services while permitting technological change that is beneficial?

For discussion of these matters, two speakers will present results of their research on growth and variation in use of health care and their ideas for changes in payment policy. The speakers are:

- David Cutler, Ph.D. from the Economics Department and the John F. Kennedy School of Government at Harvard University, and
- Elliott Fisher, M.D., M.P.H from the Center for the Evaluative Clinical Sciences at the Dartmouth Medical School and from the VA Outcomes Group at the White River Junction Veterans Affairs Medical Center.

ACTION: Drs. Cutler and Fisher will answer questions about their research. Commissioners can then discuss the implications of the research for Medicare payment policy. The discussion will guide staff work on this topic for the June 2004 report.

STAFF CONTACT: Kevin Hayes (202-220-3716)